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MACROECONOMIC POLICY QUESTIONS: FINANCING OF DEVELOPMENT, INCLUDING NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES

Report of the Second Committee (Part II)*

Rapporteur: Mr. Rae Kwon CHUNG (Republic of Korea)

I. INTRODUCTION

1. The Second Committee held a substantive debate on agenda item 95 (see A/52/626, para. 2). Action on sub-item (a) was taken at the 17th, 20th, 48th and 50th meetings, on 24 and 28 October and on 5 and 9 December 1997. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/52/SR.17, 20, 48 and 50).

II. CONSIDERATION OF DRAFT PROPOSALS

A. Draft resolutions A/C.2/52/L.2 and Rev.1 and L.51

2. At the 17th meeting, on 24 October, the representative of the United Republic of Tanzania, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Convening of an international conference on the financing of development" (A/C.2/52/L.2), which read:

"The General Assembly,

"Recalling its resolutions 46/205 of 20 December 1991, 48/187 of 21 December 1993 and 50/93 of 20 December 1995, and relevant resolutions,

* The report of the Committee on this item will be issued in five parts, under the symbol A/52/626 and Add.1-4.

in which it decided, inter alia, to consider at its fifty-second session the convening of an international conference on the financing of development,

"Recalling also an agenda for development,[1] in particular paragraph 287, where it is stated that due consideration should be given to modalities for conducting an intergovernmental dialogue on the financing of development,

"Taking into account the recommendations in this regard, as contained in the report of the Secretary-General,[2]

"Taking note of the report of the Secretary-General on sources for the financing of development,[3]

"Reaffirming its resolutions 50/91 of 20 December 1995, 50/227 of 24 May 1996 and 51/166 of 16 December 1996, as well as Economic and Social Council resolution 1996/43, on strengthening collaboration between the United Nations development system and the Bretton Woods institutions,

"Taking note of the communiqué of the Intergovernmental Group of Twenty-four on International Monetary Affairs[4] of 20 September 1997,

"Expressing the urgent need to undertake a thorough evaluation of the nature of the international financial institutions and their role in the financing of development in the contemporary globalizing world economy,

"Noting with deep concern the continuous decline of the official development assistance flows to developing countries,

"Noting that for many developing countries, particularly those in Africa and the least developed countries, official development assistance remains a main source of external funding and cannot generally be replaced by private capital flows,

"Taking note of the agreed conclusions 1997/1 of the high-level segment of the substantive session of 1997 of the Economic and Social Council,[5]

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[1] See document A/AC.250/1 (Parts I, II and III), annex.

[2] A/49/665.

[3] A/52/399.

[4] A/C.2/52/2, annex.

[5] See A/52/3, chap. II, para. 5.

"1. Decides to convene a conference on the financing of development to be held before the year 2000 and under the auspices of the United Nations;

"2. Also decides to establish an intergovernmental preparatory committee of the General Assembly to examine in depth issues relating to the financing of development, and to propose, no later than the end of the current session of the Assembly, specific dates and an agenda for the conference on the financing of development;

"3. Requests the funds and programmes as well as their respective executive boards to provide support to the work of the preparatory committee;

"4. Invites the participation, support and collaboration of the intergovernmental bodies of the Bretton Woods institutions, with the preparatory committee, in the launching and realization of the conference;

"5. Invites the regional development banks to participate effectively in the preparatory process of the conference;

"6. Requests the United Nations Conference on Trade and Development and the regional commissions to provide support from their specific perspectives to the work of the preparatory committee;

"7. Requests the Secretary-General to provide, in collaboration with the Bretton Woods institutions, the necessary substantive support to the preparatory committee, including suggestions for a possible agenda, in order to enable the preparatory committee to report thereon to the General Assembly at its fifty-third session."

3. The Committee had before it a revised draft resolution entitled "Global partnership on financing for development: convening of an international conference on financing for development" (A/C.2/52/L.2/Rev.1), submitted by the United Republic of Tanzania on behalf of the States Members of the United Nations that are members of the Group of 77 and China. The revised draft resolution read as follows:

"The General Assembly,

"Recalling it resolutions 46/205 of 20 December 1991, 48/187 of 21 December 1993 and 50/93 of 20 December 1995,

"Expressing the urgent need to undertake a thorough evaluation of the nature of the international financial institutions and their role in the financing of development in the contemporary globalizing world economy,

"Noting with deep concern the continuous decline of the official development assistance flows to developing countries,

"Noting that for many developing countries, particularly those in Africa and the least developed countries, official development assistance

remains a main source of external funding and cannot generally be replaced by private capital flows,

"Reaffirming that development is a complex multidimensional process and is one of the main priorities of the United Nations for which Member States have individual and shared responsibilities,

"1. Notes the need for systematic, comprehensive and integrated high-level international intergovernmental consideration on financing for development, with a view to invigorating the partnership for development;

"2. Also notes that various efforts have been undertaken both within and outside the United Nations system to address financing for development and, in this regard, considers it important that efforts already undertaken and under way should contribute to the revitalization of partnership for development;

"3. Stresses the need for a process within the United Nations system that will take stock of various efforts undertaken both within and outside the United Nations system on financing for development in preparing for high-level international intergovernmental consideration, such as a summit, an international conference or a special session of the General Assembly, to be convened at an appropriate time, before the year 2001;

"4. Decides to reconvene the Second Committee of the fifty-second session of the Assembly for two days in order to determine the required inputs from a broad range of stakeholders, including Member States and other actors both within and outside of the United Nations system, to facilitate informed decisions on key elements which might be included in the consideration of the topic of financing for development, where to source such inputs, and the appropriate role of the United Nations Secretariat in the preparation of the requested reports;

"5. Also decides to create an ad hoc open-ended working group that will commence its work during the fifty-third session of the Assembly in order to undertake an in-depth examination of the various inputs requested of the Second Committee in paragraph 4 above, with a view to formulating recommendations on the form, scope and agenda of a high-level international intergovernmental consideration of the topic on financing for development, and whose full report will be submitted to the Assembly at its fifty-fourth session;

"6. Further decides to consider at its fifty-fourth session the convening of an international conference on financing for development in order to enhance global partnership for development."

4. At the 48th meeting, on 5 December, the Vice-Chairman of the Committee, Mr. Adel Abdellatif (Egypt), introduced a draft resolution (A/C.2/52/L.51) entitled "Global partnership for development: high-level international intergovernmental consideration on financing for development", submitted on the basis of informal consultations held on draft resolutions A/C.2/52/L.2 and Rev.1.

5. The Secretary of the Committee read out a statement on the programme budget implications of draft resolution A/C.2/52/L.51.

6. At the same meeting, the Committee adopted draft resolution A/C.2/52/L.51 (see para. 14, draft resolution I).

7. Before the draft resolution was adopted, statements were made by the representatives of Costa Rica, Luxembourg, the Sudan and the Syrian Arab Republic; after it was adopted, the representative of India made a statement (see A/C.2/52/SR.48).

8. In the light of the adoption of draft resolution A/C.2/52/L.51, draft resolution A/C.2/52/L.2/Rev.1 was withdrawn by its sponsors.

B. Draft resolutions A/C.2/52/L.4 and L.48

9. At the 20th meeting, on 28 October, the representative of the United Republic of Tanzania, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Global financial flows and their impact on the developing countries" (A/C.2/52/L.4), which read:

"The General Assembly,

"Reaffirming its resolutions 51/166 of 16 December 1996 entitled 'Global financial integration and strengthening collaboration between the United Nations and the Bretton Woods institutions' and 50/91 of 20 December 1995 entitled 'Global financial integration: challenges and opportunities', as well as Economic and Social Council resolution 1996/43 of 26 July 1996 on strengthening collaboration between the United Nations development system and the Bretton Woods institutions,

"Stressing that global financial flows present new challenges and opportunities for the international community and should constitute a very important element of the dialogue between the United Nations system and the Bretton Woods institutions,

"Expressing its concern that many developing countries, among them most of the least developed countries, especially those of Africa, have not benefited from the globalization of financial flows and continue to be in great need of capital, especially official development assistance,

"Expressing its concern also that a number of developing countries have become more vulnerable, in the course of liberalizing their external economic and financial regimes, to the volatile fluctuations of private capital flows in international financial markets,

"Mindful that all countries should continue their efforts to promote sustained economic growth and sustainable development, and that the major industrialized countries, which have significant weight in influencing world economic growth and the international economic environment, have

special responsibilities for cooperating with developing countries so as to enhance the developing countries' ability to address and alleviate their major problems in the areas of finance, trade and external indebtedness, in order to rectify imbalances between the developed and the developing countries,

"Deeply concerned at the recent fluctuations in the currencies of some developing countries which have had negative impacts on their economic stability, growth, trade and development process, and adverse impacts on other countries,

"Recognizing the potential benefits for the world economy of greater freedom of capital movements, but at the same time noting that the capital account liberalization process puts additional stress on the economies that are already striving to adjust to globalization,

"1. Takes note of the report of the Secretary-General on global financial integration: an update;[6]

"2. Stresses the urgent need to ensure wider and effective participation of developing countries in the decision-making processes on financial and macroeconomic policy issues of competent international financial institutions;

"3. Expresses grave concern that sharp fluctuations in interest rates and exchange rates have the potential to disrupt the international monetary and financial system, thus aggravating the volatility of short-term capital flows;

"4. Recognizes that, despite the fact that a number of developing countries have been able to take advantage of the globalization of financial flows, there is a need for the expansion of long-term private capitals flows and for access by developing countries to those flows, and also a need for the international community to facilitate and enhance such flows to low-income countries, especially the least developed countries and those in Africa;

"5. Also recognizes the need, on the part of industrialized countries, for policy coherence and coordinated policies that promote a supportive international economic environment conducive to sustained and non-inflationary growth and the adjustments needed to address the imbalances in the world economy, and greater foreign exchange market stability;

"6. Stresses the need for strengthened international cooperation, including through strengthened regional and multilateral cooperation, to prevent future currency turmoils which negatively affect not only developing countries but the international and financial monetary system;

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[6] A/52/406.

"7. Recognizes the adverse impact of sharp fluctuations among the major international currencies on developing countries, and in this regard calls on the International Monetary Fund to fully exercise its mandates so as to ensure effective surveillance over the macroeconomic policies of the countries involved in the management of these currencies;

"8. Also recognizes that an effective International Monetary Fund surveillance mechanism would require, among other elements, the regular and timely provision of economic and financial data from all Fund members, as well as from private investors;

"9. Takes note of the work of the Basle Committee on Banking Supervision where for the first time some developing countries were invited to participate in the work of drafting banking standards, and calls for enhanced participation of developing countries in standards-setting within banking institutions;

"10. Calls on the International Monetary Fund to ensure a flexible approach in the exercise of its role in promoting capital account liberalization, so as to enable members to adjust the pace and sequencing of the liberalization of their capital account, in the light of their policy, institutional and financial conditions;

"11. Requests the Secretary-General to analyse, in close cooperation with the heads of the Bretton Woods institutions and the Secretary-General of the United Nations Conference on Trade and Development, current trends in global financial markets and make recommendations in the World Economic and Social Survey, 1998 and the Trade and Development Report, 1998 on ways and means to address the problem of fluctuations in global financial markets, including measures to help economies become more resilient with respect to possible negative effects of currency trading, and to report on the effect of such sharp fluctuations on growth and development, in particular in developing countries;

"12. Also requests the Secretary-General to report, in cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, to the General Assembly at its fifty-third session on the implementation of the present resolution."

10. At the 50th meeting, on 9 December, the Vice-Chairman of the Committee, Mr. Adel Abdellatif (Egypt), introduced a draft resolution entitled "Global financial flows and their impact on the developing countries" (A/C.2/52/L.48), which was submitted on the basis of informal consultations held on draft resolution A/C.2/52/L.4, and proposed that in the fifth preambular paragraph the brackets around the words "sustained economic growth and sustainable development" be deleted.

11. Also at the 50th meeting, at the request of the representative of the United States of America, the Committee voted on draft resolution A/C.2/52/L.48,

which was adopted by a recorded vote of 147 to 2 (see para. 14, draft resolution II).[7] The voting was as follows:

In favour: Algeria, Andorra, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Brunei Darussalam, Burkina Faso, Burundi, Cameroon, Canada, Chile, China, Colombia, Congo, Costa Rica, Côte d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Denmark, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Georgia, Germany, Ghana, Guatemala, Guinea, Guinea-Bissau, Guyana, Honduras, Hungary, Iceland, India, Indonesia, Iran (Islamic Republic of), Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Lao People's Democratic Republic, Latvia, Lesotho, Liberia, Libyan Arab Jamahiriya, Liechtenstein, Lithuania, Luxembourg, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritania, Mexico, Micronesia (Federated States of), Monaco, Mongolia, Morocco, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Rwanda, Saint Lucia, Samoa, San Marino, Saudi Arabia, Senegal, Sierra Leone, Singapore, Slovakia, Solomon Islands, South Africa, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Syrian Arab Republic, Thailand, the former Yugoslav Republic of Macedonia, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Venezuela, Viet Nam, Yemen, Zambia, Zimbabwe.

Against: Israel, United States of America.

Abstaining: None.

12. Before the draft resolution was adopted, statements were made by the representatives of the United States of America, the United Republic of Tanzania (on behalf of the States Members of the United Nations that are members of the Group of 77 and China) and Indonesia; after the draft resolution was adopted, statements were made by the representatives of New Zealand, Luxembourg (on behalf of the States Members of the United Nations that are members of the European Union), Canada, the Russian Federation, Norway, Japan, Turkey, Jordan and Australia (see A/C.2/52/SR.50).

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[7] The delegation of Greece subsequently indicated that it had intended to vote in favour of the draft resolution, but that its vote had not been recorded. The delegations of Bulgaria, Mozambique and Slovenia subsequently indicated that, had they been present during the voting, they would have voted in favour.

13. In the light of the adoption of draft resolution A/C.2/52/L.48, draft resolution A/C.2/52/L.4 was withdrawn by its sponsors.

III. RECOMMENDATIONS OF THE SECOND COMMITTEE

14. The Second Committee recommends to the General Assembly the adoption of the following draft resolutions:

DRAFT RESOLUTION I

Global partnership for development: high-level international intergovernmental consideration on financing for development

The General Assembly,

Recalling its resolutions 46/205 of 20 December 1991, 48/187 of 21 December 1993 and 50/93 of 20 December 1995, and relevant resolutions, in which it decided, inter alia, to consider at its fifty-second session the convening of an international conference on the financing of development,

Also recalling the Agenda for Development,[8] in which it is stated, inter alia, that due consideration should be given to modalities for conducting an intergovernmental dialogue on the financing of development,

Reaffirming that development is a complex multidimensional process and is one of the main priorities of the international community, for which Governments have individual and shared responsibilities,

Noting with concern the continuous decline of the official development assistance flows to developing countries, and that official development assistance remains a main source of external funding for developing countries, particularly those in Africa and the least developed countries,

Recognizing the need to further explore ways of generating new public and private financial resources to complement development efforts,

Reaffirming its resolutions 50/91 of 20 December 1995, 50/227 of 24 May 1996 and 51/166 of 16 December 1996, as well as Economic and Social Council resolution 1996/43, on strengthening collaboration between the United Nations development system and the Bretton Woods institutions,

1. Notes the need to hold a systematic, comprehensive and integrated high-level international intergovernmental consideration on financing for development with a view to creating a broader-based partnership for development;

2. Also notes that various efforts have been undertaken both within and outside the United Nations system to address financing for development, and in

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[8] Resolution 51/240, annex.

that regard considers it important that efforts already undertaken and under way should contribute to the broader-based partnership for development;

3. Stresses the need for a process that will take stock of various efforts undertaken both within and outside the United Nations system on financing for development in preparing for a high-level international intergovernmental consideration;

4. Decides to convene a resumed session of the Second Committee of the fifty-second session of the General Assembly for two days in order to solicit the views of Governments on the inputs required from a broad range of stakeholders, including actors both within and outside the United Nations system, as well as views on key elements that might be included in the consideration of the topic of financing for development, and to identify potential sources of such inputs;

5. Requests the Secretary-General to ensure that the reports requested at the resumed session of the fifty-second session of the General Assembly are compiled and forwarded to Governments at the fifty-third session of the General Assembly, with an index report indicating recurring themes and key elements found therein, and also requests the Secretary-General to prepare a report to be submitted at the same time on the work of the United Nations to address financing for development;

6. Also decides to create an ad hoc open-ended working group to work during the fifty-third session of the General Assembly in order to undertake an in-depth examination of all the inputs requested with a view to formulating a report containing recommendations on the form, scope and agenda of a high-level international intergovernmental consideration on the topic of financing for development, which will be submitted to the General Assembly at its fifty-fourth session;

7. Further decides to consider at the fifty-fourth session of the General Assembly the convening, inter alia, of a summit, an international conference, a special session of the General Assembly or other appropriate high-level international intergovernmental forum on financing for development to further the global partnership for development, not later than the year 2001.

DRAFT RESOLUTION II

Global financial flows and their impact on the developing countries

The General Assembly,

Reaffirming its resolutions 51/166 of 16 December 1996, entitled "Global financial integration and strengthening collaboration between the United Nations and the Bretton Woods institutions", and 50/91 of 20 December 1995, entitled "Global financial integration: challenges and opportunities", as well as Economic and Social Council resolution 1996/43 of 26 July 1996 on strengthening

collaboration between the United Nations development system and the Bretton Woods institutions,

Stressing that in the context of global financial integration, global financial flows present new challenges and opportunities for the international community and should constitute a very important element of the dialogue between the United Nations system and the Bretton Woods institutions,

Expressing its concern that a number of developing countries, in the course of liberalizing their external economic and financial regimes, have become more vulnerable to the volatile fluctuations of private capital flows in international financial markets, and stressing the importance at the national level in the countries concerned of a favourable climate of private financial flows, sound macroeconomic policies and appropriate functioning of markets,

Noting that the globalization of financial markets can generate new risks of instability, including interest rate and exchange rate fluctuations, which have the potential to aggravate the volatility of short-term capital flows and to adversely affect the international financial system, requiring all countries to pursue sound economic policies and to recognize the external economic impact of their domestic policies,

Mindful that all countries should continue their efforts to promote sustained economic growth and sustainable development, and that the major industrialized countries, which have significant weight in influencing world economic growth and the international economic environment, have important responsibilities to cooperate with developing countries so as to enhance the developing countries' efforts to address and alleviate their major problems in the areas of finance, trade and external indebtedness,

Recognizing the potential benefits for the world economy of greater freedom of capital movements but at the same time noting that the capital account liberalization process could put additional stress on the economies that are already straining to adjust to globalization, and in that regard necessitates, inter alia, effective management by those economies,

Welcoming the initiatives that the Bretton Woods institutions, especially the International Monetary Fund, have taken to address the question of the volatility of capital flows so as to contribute to minimizing its potential negative impacts on all countries, in particular developing countries,

1. Takes note of the report of the Secretary-General entitled "Global financial integration: an update";[9]

2. Reiterates the need for broadening and strengthening the participation of developing countries in the international economic decision-making process;

3. Stresses that sound domestic macroeconomic policies of each country in regard to promoting macroeconomic stability and growth are primary elements for

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[9] A/52/406.

determining private capital flows, and that the coordination of macroeconomic policies, where appropriate, and a favourable international economic environment play an important role in reinforcing their effectiveness;

4. Recognizes that a number of developing countries have been able to take advantage of the globalization of finance, and notes the need for the expansion of private capital flows and for broader access by developing countries to those flows, and therefore the need for the international community to assist low-income countries, especially those in Africa, in their efforts to create the enabling environment necessary to attract such flows;

5. Notes that a number of developing countries, among them most of the least developed countries, especially those of Africa, have not benefited from the globalization of finance and continue to be in great need of official development assistance;

6. Recognizes the need to explore ways to broaden appropriate enhanced cooperation and, where appropriate, coordination of macroeconomic policy among interested countries and monetary and financial authorities and institutions so as to enhance preventive consultation arrangements between such institutions as a means of promoting a stable international financial environment conducive to economic growth, particularly of developing countries, taking into account the needs of developing countries as well as situations that may have a significant impact upon the international financial system;

7. Also recognizes the importance of ensuring transparency and accountability at the national level to achieve policy credibility and confidence-building as well as sound regulatory and supervisory arrangements so as to strengthen the domestic financial system, and further recognizes the importance of a stable international economic environment and stability in the international monetary system;

8. Stresses the need for strengthened international cooperation through strengthened regional and multilateral cooperation to prevent future currency crises, which negatively affect not only developing countries but also the international financial and monetary system;

9. Recognizes the benefit of exchange rate stability and a stable financial environment, and the potential impact on all countries of lack of stability in the foreign exchange markets, and in that regard invites the International Monetary Fund to fully exercise its mandate to sustain effective surveillance over the underlying macroeconomic policies of its member countries, in particular those countries whose economies are particularly relevant for the stability of the international monetary and financial system;

10. Also recognizes that an effective International Monetary Fund surveillance mechanism requires, among other elements, the regular and timely provision of reliable economic and financial data from all Fund members, and in that regard invites the Fund, within its mandate, to explore how data can be gathered from other relevant sources in order to contribute to the effectiveness of its surveillance mechanism;

11. Takes note of the work of the Basle Committee on Banking Supervision, notes that some developing countries participated in the work of drafting banking standards, and recognizes the need for enhanced participation of developing countries in such work;

12. Invites the International Monetary Fund to ensure that, in exercising its role in promoting capital account liberalization, it does so in an orderly and flexible manner so as to enable member countries to tailor capital account liberalization to the circumstances of each individual country;

13. Requests the Secretary-General, in close cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, to analyse the current trends in global financial flows, make recommendations in the World Economic and Social Survey, 1998 and the Trade and Development Report, 1998 on ways and means to address the volatility of those flows, including measures to help economies become more resilient with regard to currency fluctuations, and report on the effect of those fluctuations on growth and development, in particular in developing countries;

14. Also requests the Secretary-General, in cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, to report to the General Assembly, at its fifty-third session on the implementation of the present resolution.